

INTERNAL AUDIT OF THE
REGION 3 OFFICE – FORT WORTH, TEXAS

AS OF MAY 18, 2017

AT THE
TEXAS ANIMAL HEALTH COMMISSION

(Report No: TAHC 017-002)



MONDAY RUFUS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS



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Certified Public Accountants & Advisors

Audit Committee
and Commissioners
Texas Animal Health Commission
Austin, Texas

We have conducted an internal audit (audit) of the Region 3 Office (Fort Worth, Texas) of the Texas Animal Health Commission (Commission) with respect to the reliability and integrity of information, compliance with rules, policies, procedures, laws, and regulations, safeguarding of assets, and the efficiency and effectiveness of operating procedures as of May 18, 2017. The results of our tests disclosed that, generally, the region has some controls in place to ensure the reliability and integrity of information, compliance with rules, policies, procedures, laws, and regulations, safeguarding of assets, and the efficiency and effectiveness of operating procedures. However, we did observe some opportunities for improving the operations.

We appreciate the courtesy and cooperation the management of the commission showed during the course of the engagement.

Monday Rufus & Co., P.C.

May 18, 2017
Austin, Texas



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Executive Summary

There are eight region offices in Field Operations. The Region 3 Office (Region) is located in Fort Worth, Texas and is staffed with eleven (11) employees, including the Region Director, and two support staff. The Region 3 Office Supervising Inspector retired on November 2016. There is currently an Acting Supervising Inspector traveling from TAHC headquarters in Austin, Texas to assist in Region 3 operations. The objective of the Region is to conduct field activities of the Commission through procedures, systems and data automation programs that have been set up to help locate infected and infested animals and herds, and keep records of such herds and the disposition of animals from those herds.

A primary responsibility of the inspectors is to oversee the handling and testing of animals at the livestock auctions. There were 11 active markets in Region 3 as of May 18, 2017. The Region 3 Office also covers a total of 29 counties in the State of Texas. Appendix 3 shows a list of Region 3 counties. In 2014, 2015, and 2016 a total of 324,690, 331,869, and 359,723 animals were processed through these markets, respectively. Appendix 4 provides more detailed information on the livestock markets.

The Region 3 Office Director, who is a veterinarian, is responsible for and oversees all of the activities administered through the Region 3 Office relating to Animal Health Program work in cooperation with USDA-APHIS-VS and TAHC Central Office in Austin. A Supervising Inspector, who is charged with the responsibility of coordinating and supervising the work of the inspectors and administrative support staff, assists the Director, and is tasked with general office management of the Region 3 Office.

The inspectors oversee the testing of animals at livestock markets and conduct blood tests for livestock owners who desire to meet certain testing and monitoring requirements for their herds. The inspectors follow-up on certificates of veterinary inspection for livestock (domestic and exotic) entering, leaving, and moving within the state. The inspectors also follow-up on permits issued for livestock entering the state and provide information on the Commission's regulations as well as other states' livestock movement requirements. The inspectors communicate regularly with herd owners and their veterinarians.

The Commission, in cooperation with the USDA-Veterinary Services (Austin, Texas) is charged with disease surveillance, epidemiology, and resolution for livestock producers in the state. The Surveillance Cooperative Services Database (SCS) was developed by the federal government to assist states in the entry and retrieval of surveillance and herd test data for livestock diseases. The Region 3 Office utilizes the SCS to provide field operations, epidemiologists, staff, and commissioners with timely and accurate data.



Internal Audit Results

Generally, the Region 3 Office has some controls in place to ensure the reliability and integrity of information, compliance with rules, policies, procedures, laws, and regulations, safeguarding of assets, and the efficiency and effectiveness of operating procedures. However, controls can be strengthened by conducting timely annual employee performance evaluations, complying with Texas Administrative Code, Chapter 51 Entry Requirements regarding timely verification of E-permits, implementing data accuracy and monitoring of documents entered into the SCS, reconciling the fixed asset inventory in its possession with the TAHC headquarters, continuing to properly allocate time on Weekly Activity Reports, and reviewing possible ways to eliminate paying for empty office leased space.

There were no other deficiencies detected in the audit of the Region 3 Office that are significant to the objectives of this audit. Any insignificant issues noted have been communicated to the management of the Commission as required by *Government Auditing Standards*.

Summary of Management's Response

Region 3 Office will have the data entry person include initials and date on input document upon entry into the Surveillance Cooperative Services data base. Region 3 Office will consistently prepare Data Accuracy Monitoring Summary reports for data entered into the SCS data base.

Region 3 Office will institute controls to ensure compliance with the Commission's region office standard operating procedures and Texas Administrative Code (TAC), Chapter 51 – Entry Requirements. Inspectors by documenting the status of each E-permit by the end of the required 30th day in the E-permits Verification Date / # of Heads section if verified, and in the Disposition/Comments section indicating as a comment on why the E-permits is still pending verification after the 30th day.

The Commission has controls in place to monitor evaluations and managers are sent a reminder from the Human Resources Department when evaluations are due. Region 3 will heed HR's reminders and make sure that all evaluations are done in a timely manner.

Region 3 Office management will put measures in place to ensure that Time and Travel is accurately recorded and project codes are reported correctly.

Region 3 will work to properly reconcile the fixed asset inventory in its possession in cooperation with the Staff Services Department, and Region 3 will diligently work to rectify any discrepancies.



Objectives, Results, Recommendations and Management's Response

The primary objectives of the internal audit were:

1. Reliability and Integrity of Information
2. Compliance with Policies, Procedures, Laws, and Regulations
3. Safeguarding of Assets
4. Efficiency and Effectiveness of Operating Procedures

RESULTS AND RECOMMENDATIONS

Internal Audit Objective 1: Reliability and Integrity of Information.

Finding 1: Controls Over Data Entry Should Be Enhanced And Data Entered Should Be Consistently Monitored for Accuracy By Management.

Criteria:

Proper internal controls ensure data received is documented at the point of receipt, and when entering information into SCS the input document should be stamped showing the date of data entry. This provides reasonable assurance of proper accountability. Program records data entry into the Surveillance Cooperative Services (SCS) data base is monitored by the supervisory management at the regional offices using the Data Accuracy Monitoring Summary reports to ensure the accuracy of the data and that it is verified by an independent person.

Condition:

Internal controls were not properly designed related to input data. When test charts are received by the Region Office they are stamped showing the date of receipt. This is a good control and could be enhanced when the input documents are defaced at the point of data entry. This would provide reasonable assurance of proper accountability. Region 3 Office inputs only one type of form (Form VS 4-26 *BRUCellosis VACCINATION RECORD*) for their data accuracy monitoring of information inputted into



the SCS data base. The latest four (4) Data Accuracy Monitoring Summary reports where Forms VS4-26 were monitored were dated 06/05/2015, two 10/16/2015 reports, and 11/18/2016. No Data Accuracy Monitoring Summary reports were available after 11/18/2016.

Cause:

Internal controls were not properly designed related to input data. Region 3 Office management and administrative staff stated they were behind in entering data into the informational and reporting systems.

Effect:

Due to the lack of adequate control related to data input, it might be difficult to establish accountability. By Region 3 Office supervisory management not independently monitoring data being entered into the SCS data base, there is no assurance on the accuracy of the data being entered and reports prepared from this data.

Recommendation:

Region 3 Office should enhance controls related to the data input to ensure proper accountability. An example would be having the data entry person include his/her initial and date on input document upon entry into the Surveillance Cooperative Services data base. Region 3 Office management should start to consistently prepare Data Accuracy Monitoring Summary reports for data entered into the SCS data base which are reviewed by an independent person for accuracy.

Management Response: *Region 3 Office will have the data entry person include initials and date on input document upon entry into the Surveillance Cooperative Services data base. Region 3 Office will consistently prepare Data Accuracy Monitoring Summary reports for data entered into the SCS data base*

Person Responsible for Implementation: *Region Director*

Completion Date: *January 1, 2018*

Internal Audit Objective 2: Compliance with Policies, Procedures, Laws, and Regulations.

The Region 3 Office has accessibility to the Commission's and other standard operating policies and procedures on the TAHC intranet. There is a system in place to ensure that activities of the staff comply with policies, procedures, laws, and regulations.



Finding 2: E-permit Verification Compliance Process Should Be Enhanced

Criteria:

E-Permits are issued by the Program Records Department at the Commission's Central Office and forwarded to the Region 3 Office to verify arrival of the animals and are recorded in the Permit Tracker Report. E-permits are required to be verified by inspectors 30 days of being issued, entered into Permit Tracker, and not closed until the animal testing is completed. If permitted animals due to be tested are 30 days past due with no valid explanation by the permittee, a Compliance Action Request form issuance may be warranted.

Condition:

Fifty-five (55) of 133 E-permits issued by TAHC had not been verified by inspectors for the audit test period from 01/01/2017 to 04/19/2017 according to the Permit Tracker Report. Thirty-six (36) of the 55 E-permits not verified had been outstanding from 40-109 days.

Cause:

Verification or determination of the 55 E-permits verification status was not determined until after the 30th day of the E-permits were issued by the Commission.

Effect:

The status is unknown on the movement and number of animals authorized to be moved according to the E-permits issued by the Commission. There is a possible noncompliance with TAC, Chapter 51-Entry Requirements regarding the permit's 15 days validity status.

E-permit – Premovement authorization for entry of animal into the state by the Commission. The E-permit states the conditions under which movement may be made, and will provide any appropriate restrictions and test requirements after arrival. The permit is valid for 15 days. (TAC, Chapter 51- Entry Requirements).

Recommendation:

Region 3 Office should institute controls to ensure compliance with the Commission's region office standard operating procedures and Texas Administrative Code (TAC), Chapter 51 – Entry Requirements. Inspectors should document the status of each E-permit by the end of the required 30th day in the E-permits *Verification Date / # of Heads* section if verified, and in the *Disposition/Comments* section a comment on why the E-permits are still pending verification after the 30th day.



Management Response: Region 3 Office will institute controls to ensure compliance by documenting the status of each E-permit by the end of the required 30th day if verified, and will include comments in the Disposition/Comments section when the E-permits are still pending verification after the 30th day.

Person Responsible for Implementation: Region Director

Completion Date: January 1, 2018

Finding 3. Annual Employee Performance Evaluations Are Not Being Consistently Conducted

Criteria:

The Texas Animal Health Commission Policies and Procedures manual requires the Commission to conduct performance evaluations once a year on the anniversary date of the employee's last performance evaluation.

Condition:

During our audit of the Commission's personnel files we noted that five (5) of the eleven (11) employees in the Region 3 Office had not had an annual performance evaluation within the last 12 months. The Region 3 Office director had also not been evaluated in the last 34 months. When an employee evaluation is conducted at the Region 3 Office the evaluation documents are sent to the Human Resource Division at the TAHC headquarters and copies of the evaluation not consistently being kept by the Regional 3 Office for all employees evaluated.

Cause:

Region 3 Office and TAHC management acknowledged that they were behind in conducting annual employee performance evaluations.

Effect:

Without a timely evaluation of employee performance, the following risks are present:

- Employees may be unaware of good performance or substandard performance.
- Employment action decisions such as promotion, demotion, termination, and merit raises may not be supported by sufficient and documented performance information.



- Employees may not receive needed training and development to improve performance and to address performance issues.

Recommendation:

We recommend that the Commission institute controls to ensure that employees are evaluated in a timely manner in accordance with written policy.

***Management Response:** The Commission has controls in place to monitor evaluations and managers are sent a reminder from the Human Resources Department when evaluations are due. Region 3 will heed HR's reminders and make sure that all evaluations are done in a timely manner.*

***Person Responsible for Implementation:** Region Director*

***Completion Date:** January 1, 2018*

Finding 4: Region 3 Personnel Weekly Activity Reports Should Be Prepared Showing Appropriate Project Codes

Criteria:

Weekly Activity Reports are used by TAHC personnel to document each daily hour worked and are reviewed and approved by the Supervising Inspector or Region Directors. The Weekly Activity Report details also include an employee's, activity codes, project codes, project status, and mileage among other information.

Condition:

During our audit we selected the weeks of 08/01-07/2016 and 04/01-07/2017 for reporting compliance and management supervisory review and approval of Region 3 Office personnel duties and functions. Our review showed that for the week of 08/01-07/2016 there were 213 Project Codes reported for the week by all Region 3 personnel of which 72 were Project Codes 025 (*No Cooperative Funding*). Our review of all the Region 3 personnel Weekly Activity Reports for the month of 04/01-07/2017 showed there were 197 Project Codes reported for the week of which 5 were Project Code 025.

Cause:

It appears that management has not been consistently reviewing and monitoring the weekly reports to ensure that personnel daily time is properly charged to the appropriate Project Codes.



Effect:

When employee time is not consistently charged to the proper project codes, agency program budgets and other funding sources activities, such as from the United States Department of Agriculture (USDA), may not be properly reported.

Recommendation:

Region 3 Office management should continue to ensure that personnel time is properly reported in the appropriate Project Codes to ensure that project activities are being properly recorded and reported.

Management Response: Region 3 Office management will put measures in place to ensure that Time and Travel is accurately recorded and project codes are reported correctly.

Person Responsible for Implementation: Region Director

Completion Date: January 1, 2018

Internal Audit Objective 3: Safeguarding of Assets.

Our internal audit of the Petty Cash Fund showed that the Petty Cash Fund and checkbook are adequately secured, the checkbook is being reconciled on a timely basis, and disbursements are supported as required by the Petty Cash Policy of the Texas Animal Health Commission.

Finding 5: Enhance Controls Over Fixed Asset Inventory

Criteria:

Proper internal controls ensure fixed asset records are internally consistent and accurate.

Condition:

For all 14 fixed asset inventory tested, we noted that each item existed, properly tagged, in use and not obsolete, in the right location, and properly secured. However, there was an instance where the serial number shown for an item (Inventory #55407505, MF6500 Generator) did not agree with the number on the item. The serial number on the Region 3 Office record reflected 587854 but the serial number on the item was 5886200.



Cause:

Internal controls over fixed assets placed in operation was not functioning as intended.

Effect:

Due to the lack of consistency and accurate accounting, fixed assets may be lost or misplaced without proper accountability.

Recommendation:

We recommend that the Region 3 Office reconcile the fixed asset inventory in its possession with the Commission's custodian of fixed assets and ensure timely resolution of any discrepancies.

Management Response: *Region 3 will work to properly reconcile the fixed asset inventory in its possession in cooperation with the Staff Services Department, and Region 3 will diligently work to rectify any discrepancies.*

Person Responsible for Implementation: *Region Director*

Completion Date: *January 1, 2018*

Internal Audit Objective 4: Efficiency and Effectiveness of Operating Procedures.

The Region 3 Office has the Commission and other standard operating policies and procedures manual on hand. The Commission's Field Operations Manual for Inspectors is available in the office and each inspector is provided a copy when hired.



Appendix 1

Objective and Scope, and Methodology

Objective

The primary objective of the audit was to evaluate the following:

- *Reliability and Integrity of Information*
- *Compliance with Policies, Procedures, Laws, and Regulations*
- *Safeguarding of Assets*
- *Efficiency and Effectiveness of Operating Procedures*

Scope

The audit scope of the internal audit work included ensuring compliance with the Texas Agriculture Code, Texas Animal Health Commission rules, Region 3 Office operating policies and procedures. The scope included interviews with Region3 Office Director, Office staff, and inspectors. Inspector reports, E-permits, Surveillance Cooperative Services Data Base information, and other pertinent reports and documents were reviewed and tested for accuracy and compliance.

Methodology

The Region 3 Office management risk assessment questionnaires were completed related to the Office functions to assist in obtaining information in identifying controls which are in place regarding Region 3 Office operations and reporting of data and information to Commission headquarters.

Information collected and reviewed included the following:

- List of employees and dates of employment
- List of inspectors and their assigned markets and designated headquarters
- Agency policies and procedures, rules, and regulations for field offices



- List of terminated employees in fiscal year 2016
- List of assigned fixed assets in inventory as of August 31, 2016
- General Appropriation Act (FY 2016-2017)
- Texas Animal Health Commission Website

Procedures and tests conducted included the following:

- Interviewed Commission management and staff to obtain an understanding of the Region 3 Office functions and activities and controls in place.
- Obtained, reviewed, and tested employees' Supervisor Activity Reports and supporting documentation for management approval and accuracy.
- Tested for accuracy and reliability of information being entered into the Surveillance Cooperative Services Data Base system.
- Tested for accuracy, reliability, and timing of entry permits (E-permit) information processed and entered into the Commission's Permit Tracker report
- Tested random sample of fixed assets and communicated with inspectors as to safeguarding their assigned assets.

Criteria Used included the following:

- Chapter 161 through 168 of the Texas Agriculture Code, Vernon's Annotated Texas Statutes
- Texas Animal Health Commission Intranet Policies and Procedures
- State Comptrollers Inventory Report for the Texas Animal Health Commission
- Commission's Website
- Review of Other pertinent reports and documents

Other Information

Our internal audit was conducted in accordance with *generally accepted government auditing standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our internal audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our internal audit objectives. Our internal audit also conforms with the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing*.



Appendix 2

Background

In 1893, the agency was initiated to fight the Texas Cattle Fever epidemic, which had created a nationwide problem. Since then, the Texas Animal Health Commission (Commission) and the United States Department of Agriculture (USDA) have worked cooperatively with livestock producers on animal health issues. In recent years, the agency's primary objectives have been to control and eradicate livestock diseases, such as: Brucellosis in cattle and swine; tuberculosis in cattle; goats and cervidae; hog cholera in swine; pseudorabies in swine; scabies in cattle and sheep; Venezuelan equine encephalomyelitis (VEE); and equine infectious anemia (EIA) in horses.

The Commission's enabling statutes are in Chapters 161 through 168 of the Texas Agriculture Code, Vernon's Annotated Texas Statutes. The Commission is vested with the responsibility of protecting all livestock, domestic animals, and domestic fowl from diseases stated in the statute, or recognized as maladies by the veterinary profession. The Commission is authorized to act to eradicate or control any disease or agency of transmission for any disease that affects livestock, exotic livestock, domestic animals, domestic fowl, exotic fowl, or canines, regardless of whether or not the disease is communicable. In order to carry out these duties and responsibilities, the Commission is authorized to control the sale and distribution of all veterinary biologics, except rabies vaccine; regulate the entry of livestock, domestic animals, and domestic fowl into the state; and control the movement of livestock.

To carry out its mission, the Commission is supported by the veterinary community, competent laboratory system and epidemiology activities which oversee the diagnosis of diseases, and assures appropriate tracing of the movement of exposed and infected animals to determine the origin of infection and minimize the transmission of disease.

The Commission is composed of thirteen members who are appointed by the Governor with the advice and consent of the Senate. The Governor designates the Chair.

The Commissioners appoint an Executive Director who supervises the Commission's activities. The Commission's operating budget is prepared and approved by the Commissioners on an annual basis, whereas the State legislative appropriation request is determined every two years. Both the budget and appropriations are reviewed and approved by the State Legislature.

The Commission is funded by a combination of state general revenue funds, federal funds from the U.S. Department of Agriculture (USDA), and fee-based revenue. For fiscal year 2016 the Commission has an authorized workforce of 161.0 full-time equivalent employees (FTEs). The Commission's staff is comprised of field inspectors, veterinarians, veterinary epidemiologists, laboratory personnel, emergency management planners, field investigators, and administrative staff.



Appendix 3

List of Region 3 Office Counties



Counties - 29

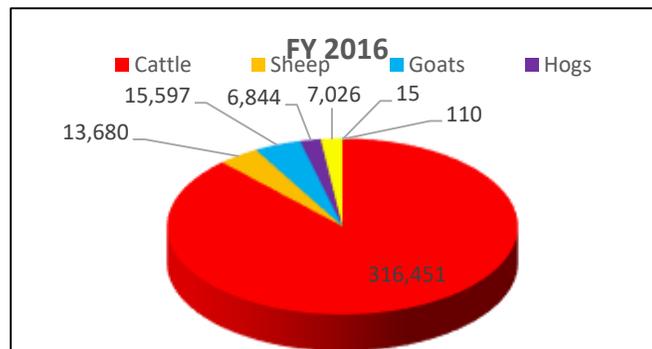
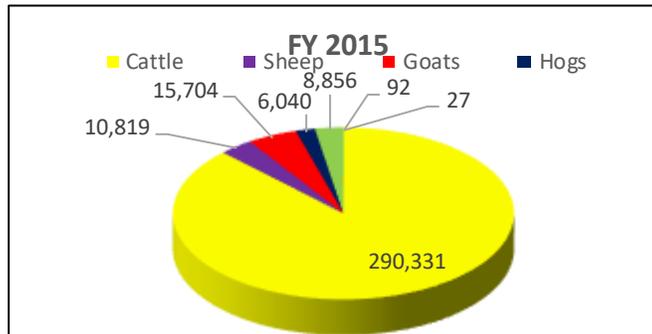
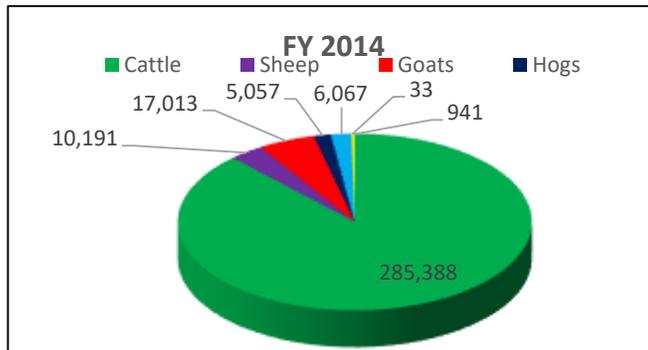
Archer	Hardeman	Montague	Throckmorton
Baylor	Haskell	Navarro	Wichita
Clay	Hill	Palo Pinto	Wilbarger
Cooke	Hood	Parker	Wise
Dallas	Jack	Shackelford	Young
Denton	Johnson	Somervell	
Ellis	Jones	Stephens	
Foard	Knox	Tarrant	



Appendix 4

Summary of Auctions (Unaudited)

	FY 2014	FY 2015	FY 2016	Total
Cattle	285,388	290,331	316,451	892,170
Sheep	10,191	10,819	13,680	34,690
Goats	17,013	15,704	15,597	48,314
Hogs	5,057	6,040	6,844	17,941
Horses	6,067	8,856	7,026	21,949
Exotics	33	27	15	75
Poultry	941	92	110	1,143
Total	324,690	331,869	359,723	1,016,282





Appendix 5

Report Distribution

As required by Gov't Code 2102.0091 copies of this report should be filed with the following:

Governor's Office of Budget and Planning

Attn: Drew Deberry
Phone: (512) 463-1778
Budgetandpolicyreports@governor.state.tx.us

Legislative Budget Board

Attn: Julie Ivie
Phone: (512) 463-1200
Audit@lbb.state.tx.us

State Auditor's Office

Attn: Internal Audit Coordinator
Phone: (512) 936-9500
iaordinator@sao.state.tx.us

Sunset Advisory Commission

Attn: Ken Levine
Phone: (512) 463-1300
sunset@sunset.state.tx.us

Texas Animal Health Commission

Coleman H. Locke, Chairman
Brandon Bouma
William Edmiston, Jr., D.V.M
Jim Eggleston
Ken Jordan
Thomas "Tommy" Kezar
Joe L. Leathers
Thomas E. Oates
Stephen Selman
Leo D. Vermedahl
Mike Vickers, D.V.M.
Eric D. White
Jay R. Winter

Texas Animal Health Commission Management

Andy Schwartz, D.V.M., Executive Director